



ALASKA MEDICAID BLOCK GRANT INFORMATION SESSION 2


**Key Considerations for Negotiating Budget
Parameters**

July 23, 2019: 9:30 am – 11:00 am AKDT

ALASKA MEDICAID BLOCK GRANT INFORMATION SESSIONS

- Purpose: Educate Trust staff and stakeholders about the opportunities and challenges of a Medicaid block grant for Alaska
 - Session 1: Medicaid Block Grants 101
 - Session 2: Key considerations for negotiating budget parameters
 - Session 3: Key considerations for negotiating terms and conditions

FORMAT FOR THE MEETING

- Presentation of about ½ hour
- Rest of the time for questions and answers
- Please enter questions using the Q&A button
 - You can enter them any time, but we won't take questions until after the review of the slides
 - If you think a question is important, click the upvote button 
 - You can clarify or expand upon an open question by commenting
 - People at the Trust will be able to ask questions directly

FORMAT FOR THE MEETING (CONT.)

- We will review questions:
 - Try to group similar questions
 - Focus on questions that have the most upvotes
- We will mark questions that we believe have been addressed in the conversation as answered (including those that have been grouped together).
- If you get a notice that your question was addressed, but you do not think it was, please ask the question again (possibly rephrasing it)
- You can only speak if you are using your computer microphone and the host turns on the microphone
- We may not get to every question

ANDY SCHNEIDER

- Research Professor at the Georgetown University McCourt School of Public Policy
- Over 40 years of experience with the Medicaid program:
 - Congressional staffer
 - Executive Branch employee
 - private consultant
 - public interest attorney.
- Senior Advisor at the Center for Medicaid and CHIP Services (CMCS) under the Obama Administration
- Led the development of the Medicaid Resource Book (2002) for the Kaiser Commission on Medicaid and the Uninsured



DENNIS SMITH

- Senior Advisor for Medicaid and Health Care Reform at the Arkansas Department of Human Services (DHS)
- Visiting Professor at the University of Arkansas Medical Sciences (UAMS) College of Public Health
- Worked for Arkansas, Wisconsin, Virginia, and California
- 10 years on Capitol Hill
- Headed the Center for Medicaid and CHIP Services (CMCS) for nearly 7 years, the longest tenure of any federal Medicaid director
 - Negotiated Section 1115 Demonstration Projects with more than half of the states



SECTION 1115 DEMONSTRATIONS (RECAP)

- Section 1115 of the Social Security Act gives the Secretary of HHS the authority to waive federal Medicaid requirements in order to enable states to demonstrate new ways of running their Medicaid programs.
- The Secretary must find that the demonstration is “likely to assist in promoting the objectives of” the federal Medicaid statute (Title XIX of the Social Security Act).
- Demonstrations are initially approved for 5 years, with 3-year extensions (at state request).
- Demonstrations must be budget neutral for the federal government.
- There is a disagreement about whether the Secretary can approve a block grant demonstration under section 1115.

WHAT ARE THE BUDGET RULES FOR A SECTION

1115 DEMONSTRATION?

- A demonstration must be budget-neutral to the federal government over the 5-year period
- Budget-neutral means that what the federal government spends under the demonstration (“with waiver”) is not greater than what the federal government would have spent in the absence of the demonstration (“without waiver”)
- CMS compares the “with waiver” and “without waiver” baselines over the 5-year period

With Waiver \leq Without Waiver

WHAT ARE THE FEDERAL BUDGET NEUTRALITY POLICIES?

- They are complicated
 - 10-page, single-spaced letter to State Medicaid Directors dated August 22, 2018 <https://www.medicaid.gov/federal-policy-guidance/downloads/smd18009.pdf>.
 - We will simplify
- Far and away the most common way of calculating budget neutrality is to look at spending per eligible individual per month
 - State is not at risk for increases in enrollment
 - Webinar focuses on this method
- An alternative method is called the "aggregate cap"
 - State is at risk for all costs above the budget neutrality cap, including costs from increases in enrollment outside of the state's control
- Neither approach gives the Secretary authority to change or waive a state's statutory matching rate

CALCULATING THE “WITHOUT WAIVER” BASELINE AND “WITH WAIVER SPENDING”

1

Determine the groups to be included (e.g., children, parents, disabled, elderly, etc.)

2

Project enrollment for each demonstration year (expressed as Member Months (MM))

3

Project spending for each year (expressed as Per Member Per Month (PMPM))

Spending for each year = MM * PMPM



HOW ARE COSTS
PROJECTED OVER THE
5 DEMONSTRATION
YEARS?

Two trend rates are negotiated by the state and CMS:

- A trend rate for number of Member Months (MM):
 - For example, CBO projects non-disabled adults under 65 will increase 0.7% per year
- A trend rate for PMPM costs:
 - For example, CBO projects costs for non-disabled adults under 65 will increase 5.3% per year
- Trend rates differ by beneficiary group and are based in part on 5 years of historical spending data

NEGOTIATING BUDGET NEUTRALITY

- Total costs with the waiver cannot be greater than the total costs without the waiver over a 5 year period
- State proposes “assumptions” about how the number of MM and/or the PMPM costs will or will not change because of the changes proposed under the waiver
- State and federal government negotiate to come to agreement over which “assumptions” are reasonable



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WHO IS INVOLVED IN NEGOTIATIONS FROM THE FEDERAL SIDE

- HHS Secretary
- CMS leadership
- CMS actuaries
- CMS program staff
- Office of Management and Budget (OMB) staff
- Other HHS staff as appropriate
 - e.g., bringing in CDC if assumption is around disease prevention



WHAT DOES A BUDGET NEUTRALITY TABLE LOOK LIKE?

	Trend	DY 1	DY 2	DY 3	DY 4	DY 5	5-Year Total
Member Months	1.0%	100	101	102	103	104	
PMPM	5.0%	\$600	\$630	\$661	\$694	\$729	
Total spending		\$60,000	\$63,630	\$67,422	\$71,482	\$75,816	\$338,350

What beneficiary groups would be included?

- Current waiver populations (Older adults, physical disabilities, intellectual disabilities, children w/complex medical conditions, etc.)?
- Alaska Natives?

What services would be subject to the block grant?

- Acute care? Long-term Care? Waiver services?
- Disproportionate Share Payments? Supplemental Payments?

What state administrative costs would be subject to the block grant?

WHAT STATE COSTS ARE COUNTED TOWARDS THE BLOCK GRANT SPENDING LIMIT?

WHAT HAPPENS IF A STATE VIOLATES BUDGET NEUTRALITY?

- State could terminate the waiver subject to the procedures agreed to in the waiver Special Terms and Conditions (STCs)
- Alaska Substance Use Disorder and Behavioral Health Program (SUD-BHP) approved 11/21/2018, Special Term and Condition 68:
 - **“Exceeding Budget Neutrality.** The budget neutrality limits calculated in STC 58 will apply to actual expenditures for demonstration services as reported by the state under section XI of these STCs.
 - If at the end of the demonstration period the budget neutrality limit has been exceeded, the excess federal funds must be returned to CMS.
 - If the demonstration is terminated prior to the end of the demonstration period, the budget neutrality test must be based on the time period through the termination date.”